

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	WOLF LAKE SEWER COMMON FUND	County	JACKSON	Type	AUTHORITY	MuniCode	N/A
Opinion Date-Use Calendar	Feb 28, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?		
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?		
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?		
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?		
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?		
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?		
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?		
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?		
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?		
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)		
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)		
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?		
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?	14. If not, what type of opinion is it?	NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?		
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?		
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?		
<input type="checkbox"/>	18. Are there reported deficiencies?	<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 465,727.00
General Fund Expenditure:	\$ 398,004.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,139,628.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	DOUGLAS	Last Name	ATKINS	Ten Digit License Number	1101016353				
CPA Street Address	2880 SPRING ARBOR RD	City	JACKSON	State	MI	Zip Code	49203	Telephone	+1 (517) 782-9351
CPA Firm Name	MARKOWSKI & COMPANY C	Unit's Street Address	373 LAKESIDE DR	City	GRASS LAKE	LU Zip	49240		

**WOLF LAKE SEWER COMMON FUND
JACKSON COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

WOLF LAKE SEWER COMMON FUND

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MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

RONALD L. MARKOWSKI, C.P.A.

DOUGLAS E. ATKINS, C.P.A.

SCOTT O. McLANE

RANDALL D. BIDDIX, C.P.A.

RETIRED PARTNER:

K. LAVERNE MARKOWSKI, C.P.A. (1961-2006)

INDEPENDENT AUDITOR'S REPORT

Sewer Advisory Committee
Wolf Lake Sewer Common Fund
Grass Lake, Michigan

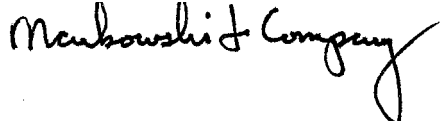
We have audited the accompanying financial statements of the **Wolf Lake Sewer Common Fund**, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Wolf Lake Sewer Common Fund's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Wolf Lake Sewer Common Fund as of December 31, 2007 and 2006, and the respective changes in financial position for the year then ended in conformity with auditing standards generally accepted in the United States of America.

Wolf Lake Sewer Common Fund
Independent Auditor's Report
Page Two

The Wolf Lake Sewer Common Fund has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be a part of the basic financial statements.

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

MARKOWSKI & COMPANY CPAs
Jackson, Michigan
February 28, 2008

WOLF LAKE SEWER COMMON FUND**STATEMENTS OF NET ASSETS**

DECEMBER 31, 2007 and 2006

	DECEMBER 31,	
	2007	2006
ASSETS:		
Cash and cash equivalents	\$ 129,971	\$ 47,849
Investments	1,011,741	927,831
Accounts receivable	650	-
Due from other governments	3,634	93,141
Accrued interest receivable	5,091	12,126
	<hr/>	<hr/>
Total assets	1,151,087	1,080,947
	<hr/>	<hr/>
LIABILITIES:		
Accounts payable	5,430	9,042
Due to other governments	6,029	-
Total liabilities	11,459	9,042
	<hr/>	<hr/>
NET ASSETS:		
Restricted for debt service	1,139,628	1,071,905
Unrestricted	-	-
Total net assets	<u>\$ 1,139,628</u>	<u>\$ 1,071,905</u>

The accompanying notes are an integral part of the financial statements.

WOLF LAKE SEWER COMMON FUND
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	THE YEARS ENDED DECEMBER 31,	
	2007	2006
OPERATING REVENUES:		
Customer fees - replacement and improvement	\$ 11,504	\$ 11,317
Customer fees - operations and maintenance	8,122	-
Total operating revenues	19,626	11,317
OPERATING EXPENSES		
Administration fees	3,300	2,700
Office supplies	117	44
Audit fees	2,000	1,800
Travel	21	-
Utilities	6,754	4,637
Repairs and Maintenance	3,372	11,445
Miscellaneous	107	6,458
Total operating expenses	15,671	27,084
OPERATING INCOME	3,955	(15,767)
NON-OPERATING REVENUES (EXPENSES):		
Investment income	56,903	79,138
Customer fees - debt retirement	17,302	16,166
Special assessments collected by townships	371,576	468,750
Other income	320	71,979
Replacements and improvements	(5,900)	(55,087)
Debt service payments	(376,433)	(954,550)
Total non-operating revenues (expenses)	63,768	(373,604)
CHANGES IN NET ASSETS	67,723	(389,371)
NET ASSETS, BEGINNING OF YEAR	1,071,905	1,461,276
NET ASSETS, END OF YEAR	\$ 1,139,628	\$ 1,071,905

The accompanying notes are an integral part of the financial statements.

WOLF LAKE SEWER COMMON FUND
STATEMENTS OF CASH FLOWS
THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>THE YEARS ENDED DECEMBER 31,</u>	
	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Customer fees received from townships	\$ 17,516	\$ 11,317
Payments to suppliers	(19,283)	(18,042)
Net cash provided (used) by operating activities	<u>(1,767)</u>	<u>(6,725)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Customer fees received from townships	17,454	15,900
Special assessment collections received from townships	468,420	468,750
Payments received from Jackson County Drain office	320	71,979
Principal and interest payments	(376,433)	(954,550)
Net cash provided (used) by investing activities	<u>109,761</u>	<u>(397,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Replacements, renewals, and improvements	(5,900)	(55,087)
Investment income	63,938	67,012
Investments matured	341,304	793,100
Investments purchased	(425,214)	(392,331)
Net cash provided (used) by investing activities	<u>(25,872)</u>	<u>412,694</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,122	8,048
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>47,849</u>	<u>39,801</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 129,971</u></u>	<u><u>\$ 47,849</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES:		
Operating income	\$ 3,955	\$ (15,767)
Changes in assets - (Increase) or decrease:		
Accounts Receivable	(650)	-
Due from other governments	(1,460)	-
Changes in liabilities - Increase or (decrease):		
Accounts payable	(3,612)	9,042
Net cash provided (used) by operating activities	<u><u>\$ (1,767)</u></u>	<u><u>\$ (6,725)</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

**WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Wolf Lake Sewer Common Fund (the “Common Fund”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Common Fund:

A. REPORTING ENTITY

The Common Fund was established under the provisions of Act 35 of Michigan Public Acts of 1951 by the Charter Township of Grass Lake and Napoleon Township, both of which are located in Jackson County, Michigan. The Fund was established to account for the operations and maintenance, debt retirement and accumulation of resources for renewal, replacement and improvement of the public sanitary sewer system in the area of Big Wolf Lake, Little Wolf Lake and Big Olcott Lake located in both Townships. In accordance with the agreement, the Fund is considered an enterprise fund.

A non-binding advisory committee composed of two elected officials from each participating township (four in total) has been established. The Township Boards retain the power to approve the Common Fund’s budgets, sewer rates, and non-routine expenses in excess of \$5,000 (non-routine expenses of less than \$5,000 and emergency repairs require the approval of the two township supervisors).

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

1. Basis of Presentation:

These financial statements include all the accounts of the Common Fund. Under contractual agreements, these accounts include: a) the Operations and Maintenance account, which as of December 31, 2007 the townships were not depositing any monies to; the agreement calls for the \$14.60 per month per residential equivalent unit (REU) user charge to be deposited. The townships have agreed to use these charges to pay for maintenance (\$3.60 per REU) and wastewater treatment (\$9.50 per REU) directly to the service provider and deposit \$1.50 per user to the Common Fund; ; b) the Debt Service account, to which all connection fees, special assessments collected by the townships, and the \$2.00 per month per (REU) debt service charge billed by the townships to system customers are deposited; and c) the Renewal, Replacement and Improvement account, to which the \$1.40 per month per REU user charge billed by the townships are deposited.

**WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL
STATEMENT PRESENTATION** (Continued)

2. Basis of Accounting:

The Common Fund utilizes the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Common Fund has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing servicing and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The Common Fund recognizes the activities of its Operations and Maintenance and Renewal, Replacement and Improvement accounts as operating activities. The Debt Service account activities are considered nonoperating.

C: ASSETS, LIABILITIES, AND NET ASSETS

1. Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at cost as the Common Fund intends to hold all investments until they mature.

2. Receivables and Payables

All receivables represent amounts due for debt service and maintenance fees that the two Townships collect and remit to the Common Fund. No allowance for bad debts is established as any unpaid amounts can become a lien against the benefitting property under state law.

**WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C: ASSETS, LIABILITIES, AND NET ASSETS

3. Restricted Assets

Restricted assets consist of cash and investments that have been restricted for debt service.

4. Capital Assets

The Common Fund agreement was established following the construction of the infrastructure assets of the waste water disposal system. As a result, these assets are not reported by the Common Fund. Subsequent asset purchases are treated as an expense of the Common Fund, and deducted from the net assets of the Renewal, Replacement and Improvement account.

5. Long Term Debt

As discussed in note 1 C 4 above, the Wolf Lake Section of the wastewater disposal system predates the existence of the Common Fund. The debt agreements between Jackson County and the participating townships also predate the Common Fund, and as a result are not reported here. Debt service of the long term debt is reported as a nonoperating activity of the Common Fund.

6. Net Assets

The Common Fund reports its net assets for each of its three accounts. Any deficit in the Operations and Maintenance accounts would be deducted from the Renewal, Replacement and Improvement account.

D. ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments of the Common Fund can be defined as follows:

Cash and cash equivalents consist of cash on hand, deposits (checking accounts), and investments with an original maturity no greater than 90 days. Deposits are in one local bank with accounts in its name.

These surplus funds are invested in accordance with state law and Grass Lake Charter Township's investment policy. Authorized investments include:

- (1) Bonds, securities and other obligations of the United States or an agency or Instrumentality of the United States;
- (2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States;
- (3) Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, and that matures not more than 270 days from the purchased date;
- (4) Repurchase agreements consisting of instruments listed in subdivision (1) above;
- (5) Bankers' acceptances of United States banks;
- (6) Mutual funds registered under the Investment Company Act of 1940, and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation;
- (7) Obligations described in (1) through (6) as named above is purchased through an interlocal agreement under the Urban Cooperation Act of 1967;
- (8) Investment pools organized under the Surplus Funds Investment Act, 367 of 1982;
- (9) Investment pools organized under the Local Government Investment Pool Act 121 of 1985.

The Common Fund's deposits are in accordance with statutory authority.

WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Common Fund's investments consist of certificates of deposit with an original maturity of greater than 90 days and proceeds from matured certificates held in a money market account pending future investment. As of December 31, 2007 and 2006, the Fund had the following investments:

Investment Type	<u>2007</u>	<u>2006</u>
Money market accounts	\$ 250,741	\$ 10,831
Certificates of deposit	<u>761,000</u>	<u>917,000</u>
	<u><u>\$ 1,011,741</u></u>	<u><u>\$ 927,831</u></u>

Investment and deposit risk

The Common Fund is subject to certain risks resulting from its investing decisions. These risks are discussed below:

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Common Fund minimizes this risk by investing in shorter term securities and holding them to maturity.

Concentration of Credit Risk - The Common Fund's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. For the years ended December 31, 2007 and 2006 of the Common Fund had cash in excess of the amounts insured by the FDIC totaling \$29,971 and \$0. The Common Fund's investments are insured by the SIPC (up to \$500,000). At December 31, 2007 and 2006, respectively, the Fund had \$511,741 and \$427,831 in excess of insured amounts.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Common Fund's name.

**WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk – (Continued)

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Common Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Common Fund's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by public agencies.

NOTE 3: CAPITAL ASSETS

The Common Fund paid for the extension of a 2" sewer main to Rexford Road during 2007. This project cost \$5,900. During 2006, the Common Fund purchased natural gas generators for two lift stations. The total installed cost of these generators was \$55,087.

NOTE 4: DEBT SERVICE

The initial construction was financed with the issuance of \$4.9 million of general limited obligation tax notes issued by the County of Jackson, supported by lease agreements with the participating townships.. Additional financing was provided through the initial installment of special assessments levied by the two involved townships upon improved properties within the district boundaries, and new assessments to provide for the expansion of the system. The issued debt and corresponding capital assets are recorded on the township's financial statements.

During December 2006, the County refunded a portion of these original bonds (and accordingly the capital lease payments due from the Common Fund). This transaction resulted in an additional \$490,000 contribution from the Common Fund's Debt Service account, and results in the defeasance of \$2,575,000 of the outstanding bonds. The transaction is summarized as follows:

WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 4: DEBT SERVICE (Continued)

Par Value of Bonds	\$ 2,335,000
Net Premium	3,287
Additional Contribution	490,000
Funds Available	<u>\$ 2,828,287</u>
Cost of Escrow Securities (to refund \$2,575,000 of the original bonds)	\$ 2,752,332
Underwriter's Discount	18,680
Issuance Costs	53,832
Contingency	3,443
Uses of Funds	<u>\$ 2,828,287</u>

This transaction results in gross savings (difference between original debt payments and new debt payments, not adjusted for present value) of over \$285,000 for the townships.

Following is a schedule of future debt service payments required as of December 31, 2007:

Fiscal Year	Principal	Interest	Total
2008	\$ 250,000	\$ 131,575	381,575
2009	250,000	117,575	367,575
2010	275,000	103,950	378,950
2011	270,000	88,825	358,825
2012	265,000	78,700	343,700
Subtotal	1,310,000	520,625	1,830,625
2013-2017	1,295,000	247,250	1,542,250
2018-2019	505,000	290,200	795,200
Total	<u>\$ 3,110,000</u>	<u>\$ 1,058,075</u>	<u>\$ 4,168,075</u>

The townships and County have pledged their full faith and credit to secure these bonds.

The following summarizes the debt service payments made:

	2007	2006
Principal payments	\$ 250,000	\$ 250,000
Advance principal payment	-	490,000
Interest payments	125,833	214,250
Paying agent fees	600	300
	<u>\$ 376,433</u>	<u>\$ 954,550</u>

**WOLF LAKE SEWER COMMON FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: RESTRICTED NET ASSETS

As discussed in Note 1, the Common Fund accounts for three sources of revenue, each of which is restricted for a specific purpose under the agreement between the Townships and the County of Jackson. Of the three restrictions, debt service is the first priority; operations and maintenance is second, and only then is the replacement and renewal account funded. An analysis of the activity in each of these accounts is as follows:

	2007	2006
Restricted for debt service:		
Beginning balance	\$ 1,107,067	\$ 1,432,022
Revenues	443,621	625,883
Expenses	(376,433)	(950,838)
Ending balance	<u>1,174,255</u>	<u>1,107,067</u>
Restricted for operations and maintenance:		
Beginning balance	(65,765)	(45,120)
Revenues	8,122	-
Expenses	(15,672)	(20,645)
Ending balance	<u>(73,315)</u>	<u>(65,765)</u>
Restricted for renewal and replacement:		
Beginning balance	30,603	74,373
Revenues	13,985	11,317
Expenses	(5,900)	(55,087)
Ending balance	<u>38,688</u>	<u>30,603</u>
Total:		
Beginning balance	1,071,905	1,461,275
Revenues	465,728	637,200
Expenses	(398,005)	(1,026,570)
Ending balance	<u>\$ 1,139,628</u>	<u>\$ 1,071,905</u>

NOTE 6: RISK MANAGEMENT

The Common Fund is exposed to various risks of loss related to property loss, torts, errors and omissions. The Townships have purchased commercial insurance to manage these risks.

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CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

Auditor/Client Responsibility Communication

To the Advisory Committee
Wolf Lake Sewer Common Fund

We have audited the basic financial statements of the Wolf Lake Sewer Common Fund for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 28, 2008. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated January 15, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Wolf Lake Sewer Common Fund. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wolf Lake Sewer Common Fund are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2007 and 2006. We noted no transactions entered into by the Wolf Lake Sewer Common Fund during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Wolf Lake Sewer Common Fund that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Wolf Lake Sewer Common Fund financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Wolf Lake Sewer Common Fund's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Trustees
Wolf Lake Sewer Common Fund
Page Three

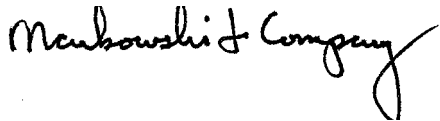
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

During our audit, no significant deficiencies or material weaknesses in the Fund's internal control system design or operation came to our attention.

This information is intended solely for the use of the Wolf Lake Sewer Common Fund Advisory Committee and the Boards of Grass Lake and Napoleon Townships and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

MARKOWSKI & COMPANY CPAs
February 28, 2008